

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL NOTE

SB 3424 - HB 3670

February 21, 2012

SUMMARY OF BILL: Authorizes local governments to develop grant programs for use by home owners and developers in the repairing, rebuilding, or renovating of existing facilities and structures, and for blighted property in neighborhoods, for the purpose of stabilizing value in neighborhoods. All monies for grants will be paid from the general fund of the applicable local government. Any grant program proposed by a local government must be submitted to the state Attorney General and Reporter for approval.

ESTIMATED FISCAL IMPACT:

Increase State Expenditures – Not Significant

Increase Local Expenditures – Exceeds \$100,000/Permissive

Other Fiscal Impact – Local governments choosing to create grant programs could realize an increase in property tax revenue as blighted properties and neighborhoods are improved. Due to multiple unknown factors, a precise estimate for any incremental property tax revenue to local governments cannot be reasonably quantified.

Secondary economic impacts may occur as a result of this bill. Such impacts may be realized due to changes in population or as a result of other behavioral changes prompted by passage of this bill. Due to multiple unknown factors, fiscal impacts directly attributable to such secondary economic impacts cannot be quantified with reasonable certainty.

Assumptions:

- Local governments are authorized, not mandated, to develop these grant programs.
- It is assumed that by developing a grant program, the local government is capable of issuing grants administered from their general fund.
- There are a number of unknown factors including, the number of local governments that will adopt a grant program, the total number of grants awarded statewide, the total dollar value of grants awarded statewide, and the impact upon property values within any such targeted areas.
- Given the extent of unknown factors, determining the precise fiscal impact for this bill is difficult. However, it is reasonably estimated that at least two local governments will

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adopt a grant program each year and will award at least \$50,000 in annual grants per program resulting in a recurring and permissive increase in local government expenditures exceeding \$100,000.

- Blighted properties that are improved through the grant program will experience an increase in property value, which will result in incremental property tax revenue for the local government. It is not possible to quantify the amount of improvements that will be accomplished to the properties, the amount of incremental tax revenue that will be generated, or the amount of time it will tax for the properties and neighborhoods to be improved. Due to these unknown factors, any incremental property tax revenue cannot be reasonably quantified.
- Any costs incurred by the Attorney General's Office to review and approve proposed grant programs will not be significant and can be accommodated within existing resources without an increased appropriation or reduced reversion.
- There could be subsequent increases in state and local government revenue and expenditures due to secondary economic impacts prompted by passage of this bill. Increases in tax revenues may occur due to the building of structures which may cause an influx of residents to targeted neighborhoods. Increases in governmental expenditures may occur if the demand for governmental services and infrastructure increase as a result of any influx of residents into any particular targeted areas. Due to multiple unknown factors, the fiscal impacts directly attributable to such secondary economic impacts cannot be quantified with reasonable certainty.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.



Lucian D. Geise, Executive Director

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